

Company Update



ADD

Fair Value: €4.09 (5.02)
Price: €2.55
Upside: 60.3%

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Market Data:

Main Shareholders

Zaffarami Antonio	37.45%
Franceschin Carla	11.39%
Zaffarami Francesca	5.22%
Mkt Cap (€ mn)	28.8
EV (€ mn)	30.8
Shares issued (mn)	11.3
Free Float (%)	46%

Market multiples

	2019	2020	2021
EV / EBITDA			
ELES	9.2x	10.5x	6.1x
Comps median	19.9x	15.7x	13.2x
ELES vs Median	3%	13%	-28%

Stock Data:

52 Wk High (€)	5.44
52 Wk Low (€)	1.88
Avg. Daily Trading 90d	14,463
Price Change 1w (%)	-6.6%
Price Change 1m (%)	-51.1%

Short Term Uncertainties but Bright Prospects

€ Million	FY 16A	FY 17A	FY 18A	FY 19A	FY 20E	FY 21E	FY 22E	FY 23E
Total Revenues	12.5	14.4	22.6	18.2	17.6	24.9	29.8	37.4
EBITDA	2.5	2.8	3.8	3.4	2.9	5.1	6.6	8.9
margin	19.9%	19.4%	16.7%	18.4%	16.7%	20.4%	22.0%	23.7%
Net Profit	0.0	0.2	0.8	0.8	1.0	2.2	3.0	4.4
margin	0.2%	1.3%	3.3%	4.6%	5.5%	8.8%	10.0%	11.8%
EPS	n.a.	n.a.	n.a.	0.08	0.09	0.19	0.27	0.39

The latest US-China frictions could undermine the positive performance of the semiconductor industry. The global demand for semiconductor equipment - which also includes semiconductor testing - increased by 19%YoY in 1H20 to \$32bn, mainly driven by the automated test systems for Memory segment. The Burn-In segment instead suffered a 13% contraction. Korea and China recorded the highest growth (43% and 41%, respectively) whereas Europe - one of the regions to which ELES is exposed the most - experienced a 22% decline due to lockdown and a slowdown in the automotive and industrial sectors.

1H20 results. Sales reached €8.3mn, down by 15%YoY following a contraction of both the semiconductors (-15%YoY) and ECU (-18%YoY) business lines. This was mainly the result of: i) clients' lower production during COVID-19, implying lower demand for semiconductor testing; ii) a reshaping of capital spending by ELES' clients, with orders postponed to 2021; and iii) weak automotive trends partially mitigated by industrial trends. EBITDA amounted to €1.4mn (-24.3%YoY) with a margin of 16.1% (-2.1pp compared to 1H19). The decrease in EBITDA margin is mainly due to a higher incidence of labor costs. Net income increased by 6% to €0.4mn, enjoying lower D&As and tax rate. ELES closed 1H20 with a NFP of €2.4mn or €1.8mn adjusted.

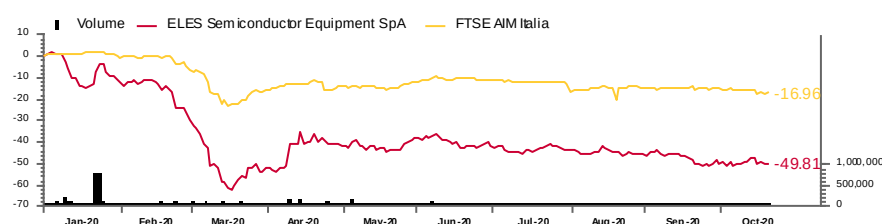
Recent developments. On the operative side, ELES: i) signed two collaborations with American representatives, ii) acquired new customers including an important Design Center in Asia, a leading provider of innovative IP solutions - supporting the most advanced semiconductor technologies like 7nm nodes - to the most important Semiconductor Manufacturers (Fab, IDM), and iii) increased sales volume to high-potential clients. RETE methodology was also integrated with *Functional Safety* compliance verification and further expansion is expected in the *Cyber Security* compliance verification. On the financial side, on August 17, 2020, ELES carried out a €0.2mn capital increase following the exercise of 238,750 warrants during the first window ending on July 31st, 2020.

ELES revised its guidance for the year 2020. ELES has revised downward its guidelines for 2020, given the current macroeconomic and industry uncertainty due to the COVID-19 pandemic and US-China trade war, along with postponement of orders by clients. ELES sets revenue target to be in the range of €17-18mn and EBITDA margin between 16.6% and 16.9% (% on sales). NFP adj. is now anticipated to be around €1.3-1.4mn.

Change in estimates. On the back of 1H20 results, ELES' guidelines and the evolution of the macroeconomic/industry, we aligned our expectations with those of ELES for the year 2020. For the following years we expect that ELES will be able to meet our previous expectations with a one-year lag.

Valuation. Our valuation - based on both the DCF and multiples method and considering the warrant dilution effect - returns a fair value of €4.09ps (+60% upside on the current price and -18.6% on our latest update).

Relative Performance Chart YTD



ELES - Key Figures

Current price (€)	Fair Value (€)		Sector			Free Float (%)	
2.55	4.09		Semiconductor Testing			46%	
Per Share Data							
	2017A	2018A	2019A	2020E	2021E	2022E	2023E
Total shares outstanding (mn)	n.m.	n.m.	11.16	11.28	11.28	11.28	11.28
EPS	n.m.	n.m.	0.08	0.09	0.19	0.27	0.39
Dividend per share (ord)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend pay out ratio (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Profit and Loss (EUR million)							
Revenues	14.4	22.6	18.2	17.6	24.9	29.8	37.4
EBITDA	2.8	3.8	3.4	2.9	5.1	6.6	8.9
EBIT	0.6	1.5	1.4	1.5	3.2	4.4	6.4
EBT	0.4	1.2	1.0	1.4	3.1	4.2	6.2
Taxes	(0.2)	(0.5)	(0.2)	(0.4)	(0.9)	(1.2)	(1.8)
Tax rate	47%	39%	17%	29%	29%	29%	29%
Net Income	0.2	0.8	0.8	1.0	2.2	3.0	4.4
Net Income attributable to the Group	0.2	0.8	0.8	1.0	2.2	3.0	4.4
Balance Sheet (EUR million)							
Total fixed assets	9.6	8.3	8.8	10.7	11.7	11.7	11.0
Net Working Capital (NWC)	4.0	4.4	6.6	5.9	6.9	7.3	8.5
Provisions	(1.3)	(1.3)	(0.9)	(1.1)	(1.5)	(1.9)	(2.4)
Total Net capital employed	12.4	11.4	14.6	15.5	17.1	17.2	17.1
Net financial position/(Cash)	6.6	4.9	2.1	2.0	1.4	(1.5)	(5.9)
Group Shareholder's Equity	5.8	6.5	12.5	13.5	15.7	18.6	23.1
Minorities	-	-	-	-	-	-	-
Total Shareholder's Equity	5.8	6.5	12.5	13.5	15.7	18.6	23.1
Cash Flow (EUR million)							
Net operating cash flow	-	3.3	3.1	2.5	4.1	5.3	7.0
Change in NWC	-	(0.4)	(2.7)	0.7	(1.0)	(0.4)	(1.2)
Capital expenditure	-	(0.7)	(2.4)	(3.3)	(2.8)	(2.3)	(1.8)
Other cash items/Uses of funds	-	0.3	0.1	0.3	0.4	0.4	0.5
Free cash flow	-	1.9	(2.0)	0.2	0.7	3.0	4.6
Enterprise Value (EUR million)							
Market Cap	n.a.	n.a.	51.8	28.8	28.8	28.8	28.8
Minorities	-	-	-	-	-	-	-
Net financial position/(Cash)	6.6	4.9	2.1	2.0	1.4	(1.5)	(5.9)
Enterprise value	n.a.	n.a.	54	31	30	27	23
Ratios							
EBITDA margin	19.4%	16.7%	18.4%	16.7%	20.4%	22.0%	23.7%
EBIT margin	4.2%	6.5%	7.5%	8.7%	13.0%	14.7%	17.1%
Gearing - Debt/equity	114.9%	74.5%	16.7%	15.2%	9.1%	-8.0%	-25.7%
Interest cover on EBIT	41.6%	16.0%	13.4%	10.9%	5.2%	3.8%	2.6%
NFP/EBITDA	2.37x	1.29x	0.62x	0.70x	0.28x	-0.23x	-0.67x
ROCE	4.9%	12.8%	9.4%	9.9%	19.0%	25.5%	37.3%
ROE	3.2%	11.5%	6.7%	7.2%	13.9%	16.0%	19.2%
EV/Sales	2.1x	1.4x	1.7x	1.8x	1.2x	1.0x	0.8x
EV/EBITDA	11.1x	8.2x	9.2x	10.5x	6.1x	4.7x	3.5x
P/E	155.4x	38.2x	34.3x	29.6x	13.2x	9.6x	6.5x
Free cash flow yield	0.00%	0.09%	-0.09%	0.01%	0.03%	0.14%	0.21%
Growth Rates (%)							
Sales	n.a.	n.m.	-19.4%	-3.4%	41.2%	19.8%	25.5%
EBITDA	n.a.	n.m.	-11.1%	-12.3%	72.1%	29.5%	34.9%
EBIT	n.a.	n.m.	-6.8%	12.4%	110.8%	35.4%	45.9%
Net Income	n.a.	n.m.	-17.9%	15.9%	124.4%	37.3%	47.8%

Source: Company data, KT&Partners' elaborations

1H20 Financial Results

Company Profile

ELES S.p.A. (ELES) is an Italian SME, active since 1988 in the reliability testing equipment market for semiconductors. Thanks to its 30 years of experience and a rich IP library, ELES has developed an innovative semiconductor testing solution (RETE) - based on the Test-During-Burn-In approach - which allows for testing both the reliability and performance of semiconductor devices, with important advantages in terms of time and cost savings with respect to traditional tests (Burn-In test + ATE test).

1H20 sales were down by 15%, coming in at €8.2mn. Lower sales were recorded by both the semiconductors and ECU business lines. Semiconductors decreased by 15%YoY reaching €7.7mn, following a 30% reduction in sales of the test system division, partially offset by the test application division. This was mainly due to: i) the postponement of investments by ELES' clients; and ii) a drop in clients' production volumes during COVID-19, resulting in less demand for semiconductors testing. ECU dropped by 18%YoY to €0.6mn due to slowdown in the sector.

Other revenue more than doubled with respect to 1H19, amounting to €0.4mn, thanks to a higher contribution coming from government grants. Overall, revenues experienced a 13% decline compared to 1H19.

EBITDA came in at €1.4mn (-24.3%YoY), resulting in an EBITDA margin of 16.1%, -2.4ppYoY. The decrease in EBITDA margin is mainly due to higher incidence of personnel costs considering that ELES strengthened its organizational structure, impacting labor costs by €300k.

Net income reached €0.4mn, +6.4%YoY following a lower tax rate and D&A costs. Finally, net financial position went from €2.09mn in FY19 to €2.40mn in 1H20. NFP adjusted amounted to €1.8mn vs €1.5mn in FY19.

1H20 Financial Results

€ thousand	1H18	1H19	1H20	YoY %
Sales	11,734	9,764	8,274	-15.3%
Other Revenues	36	197	416	111.2%
Total Revenues	11,770	9,961	8,690	-12.8%
Products and Raw materials	(4,974)	(4,187)	(3,573)	-14.7%
Gross Profit	6,796	5,774	5,117	-11.4%
Gross Margin	57.7%	58.0%	58.9%	0.9%
Cost of Services	(2,561)	(1,807)	(1,610)	-10.9%
Personnel Expenses	(2,271)	(1,924)	(1,995)	3.7%
Other Operating Expenses	(171)	(200)	(117)	-41.5%
EBITDA	1,792	1,842	1,395	-24.3%
EBITDA margin	15.2%	18.5%	16.1%	-2.4%
D&A and Provisions	(1,188)	(913)	(767)	-16.0%
EBIT	604	928	628	-32.3%
EBIT margin	5.1%	9.3%	7.2%	-2.1%
Financial Income and Expenses	(135)	(106)	22	-120.8%
Extraordinary items		(173)		n.m.
EBT	469	649	650	0.2%
Taxes	(192)	(241)	(216)	-10.4%
Tax Rate	40.9%	37.1%	33.2%	
Net Income	277	408	434	6.4%
Net margin	2.4%	4.1%	5.0%	0.9%

Source: Company data

Industry Overview

The semiconductor industry showed good resilience to the COVID-19 outbreak during 1H20, increasing by 6% YoY.¹ The epidemic-induced changes - such as smart working, e-learning and online medical services - have stimulated market demand for integrated circuits used for a range of products such as servers, personal computers, tablets, and medical electronics. In 1H20, the global demand for semiconductor equipment - which also includes semiconductor testing - increased by 19%YoY to \$32bn, mainly driven by the automated test systems for the Memory segment. The Burn-In segment instead suffered a 13% contraction. Korea and China recorded the highest growth (43% and 41%, respectively) whereas Europe experienced a 22% decline due to lockdown and weak automotive and industrial trends.

1H20 Worldwide Semiconductor Equipment

Worldwide Semiconductor Equipment (billions of U.S. \$)	1H20	1H19	1H20 Vs 1H19
Taiwan	7,53	7,02	7%
China	8,09	5,72	41%
Korea	7,84	5,47	43%
North America	3,57	3,37	6%
Japan	3,4	2,93	16%
Europe	1,1	1,41	-22%
Rest of the World	0,81	1,18	-31%
	32,34	27,1	19%

Source: SEMI and SEAJ, September 2020

1H20 Worldwide IC ATE

Worldwide IC Automated Test Systems (in \$M)	1H20	1H19	1H20 vs 1H19
Memory IC	515,9	261,5	97%
Linear and Discrete	47,9	46,9	2%
IC Systems-on-a-Chip	1,447,3	1,356,3	7%
Burn-in	84,5	97,7	-13%
	2.095,6	1.762,4	19%

Source: VSLI Research, September 2020

As of June 2020, the WSTS forecasted the semiconductor industry to be worth \$426bn in 2020 (+3%YoY) and \$452bn in 2021 (\$452bn). The US ban on Huawei, however, could cripple the global semiconductor industry. Indeed, in May and August 2020 the Trump administration announced new rules that banned semiconductor manufacturers using US software or technology from supplying Huawei without prior approval. The US Government is apparently seeking to further escalate its tech war against China by adding China's leading chipmaker (SMIC) to a trade blacklist, threatening to further disrupt a massive \$300bn-worth annual chip trade between China and other countries², including the US. This move could bring serious challenges not only to Chinese companies but also to the semiconductor industry as a whole. At the same time, it pushes China to accelerate investment and development in its domestic industry.

In the long run, the semiconductors outlook remains positive, although uncertainties could arise in the short-term on the back of the persistent epidemiological evolution and the escalation of tension in trade relations between the US and China.

¹ Source: WSTS Historical Data

² According to China Semiconductor Industry Association, China's microchip import are expected to reach more than \$300bn in 2020 for the third consecutive year.

Estimates Review

We revised downward our estimates, factoring in: i) ELES' 1H20 financial results; ii) the release of the new guidelines for 2020; and iii) global economic and semiconductors uncertainties. We now expect that ELES will be able to meet our previous forecast with a one-year lag.

We anticipate revenue at €17.6mn in FY20 - in line with company guidance - growing at CAGR2019-22 of 17.8% or 9.2% lower than previously expected.

We lowered our EBITDA estimates for the length of the plan. We expect FY20 EBITDA to amount to €2.9mn, ca. 30% below our previous estimates mainly on the back of total revenue contraction and a higher incidence of labor costs. We forecast EBITDA to grow at a +25% CAGR2019-22 (vs 38% of our previous research), reaching €6.6mn in 2022.

With regard to the bottom line, we expect net income to be €1mn in FY20 (-24.4% lower than previously forecasted), amounting to €3.0mn in FY22 with a net margin of 10%.

Lastly, we expect FY20 NFP to reach €2mn, almost in line with the previous year, and to gradually improve, reaching a net cash position of €1.5mn in 2022.

Key financial indicators can be summed up as follows:

- FY20E revenues for €17.6, reaching €29.8mn in FY22E (17.8% CAGR19A-22E);
- FY20E EBITDA for €2.9mn, growing at €6.6mn in FY22E (25% CAGR19A-22E);
- FY20E net income for €1mn, reaching €3.0mn in FY22E (52.8% CAGR19A-22E);
- FY20E NFP for €2.0mn, reaching -€1.5mn in FY22E.

Change in Estimates

€ thousand	2019A	2020E	2020E		2021E	2021E		2022E	2022E		CAGR	CAGR
		Old	New	Change	Old	New	Change	Old	New	Change	2019-'22	2019-'22
											Old	New
Total Revenues	18,214	22,744	17,602	-22.6%	30,069	24,862	-17.3%	37,335	29,781	-20.2%	27.0%	17.8%
YoY Change (%)	-19.4%	24.9%	-3.4%		32.2%	41.2%		24.2%	19.8%			
EBITDA	3,358	4,218	2,945	-30.2%	6,669	5,069	-24.0%	8,830	6,563	-25.7%	38.0%	25.0%
EBITDA Margin (%)	18.4%	18.5%	16.7%		22.2%	20.4%		23.7%	22.0%			
EBIT	1,366	2,003	1,535	-23.3%	3,955	3,236	-18.2%	6,347	4,380	-31.0%	66.9%	47.5%
EBIT Margin (%)	7.5%	8.8%	8.7%		13.2%	13.0%		17.0%	14.7%			
Net Income	838	1,284	971	-24.4%	2,651	2,178	-17.8%	4,325	2,991	-30.9%	72.8%	52.8%
EBIT Margin (%)	4.6%	5.6%	5.5%		8.8%	8.8%		11.6%	10.0%			
Net Debt (Cash)	2,088	3,025	2,047	-97807%	721	1,421		(3,510)	(1,484)			

Source: Company data, KT&Partners' elaboration

Valuation

Following ELES' future financials projections, we have carried out our valuation using the multiples and DCF methods and considering the warrant dilution effect. Our fair value is the result of:

- **Average of valuation methods:** fair value of €4.55ps;
- **Warrant dilution effect:** As of July 31st, 2020, there are 11.3mn of warrants outstanding. Being the warrants in the money (strike price €2.00), we carried out a simulation of warrant that will be exercisable by the market (based on 45.9% free float), for an estimated capital increase of ca. €2.5mn (1.25mn of new shares). The diluted fair value would be equal to €4.09ps (based on 13.8mn shares).

By summing up the result of the valuation methods and the warrant effects, we project a fair value of €4.09ps.

Valuation Recap

	Value per share €
Valuation model avg	4.55
Post Warrant Dilution	(0.46)
Fair Value	4.09

Source: KT&Partners' elaborations

Market Multiple Valuation

Following our peer analysis, we evaluate ELES by using the 2020-21 EV/EBITDA market multiples of the peer sample. Our valuation also includes a 15% liquidity/size discount and takes into account our estimates of ELES's EBITDA for 2020 and 2021.

We did not take into account the P/E market multiples, since the investment made in the previous years by ELES strongly penalizes the net income of the following years.

Peers Comparison - Market Multiples 2019-21

Company Name	Exchange	Market Cap	EV/SALES 2019	EV/SALES 2020	EV/SALES 2021	EV/EBITDA 2019	EV/EBITDA 2020	EV/EBITDA 2021	EV/EBIT 2019	EV/EBIT 2020	EV/EBIT 2021	P/E 2019	P/E 2020	P/E 2021
Advantest Corp.	Tokyo	8,965	3.5x	3.7x	3.3x	13.8x	16.1x	12.1x	16.4x	20.1x	14.7x	20.0x	27.0x	20.0x
Aehr Test Systems	NASDAQ	26	1.2x	1.1x	n.a.	n.m	n.a.	n.a.	n.m	n.m	n.a.	n.m	26.2x	n.a.
Chroma Ate Inc.	Taiwan	1,878	4.8x	4.2x	3.7x	26.4x	18.7x	15.1x	32.2x	21.2x	16.7x	34.4x	24.4x	16.5x
Cohu, Inc.	NASDAQ	677	1.7x	1.8x	1.5x	n.m	15.3x	10.8x	n.m	23.2x	12.3x	n.m	36.7x	14.5x
Teradyne, Inc.	NASDAQ	12,342	5.7x	4.8x	4.6x	19.9x	15.3x	14.4x	24.4x	16.7x	15.8x	33.4x	23.6x	22.0x
Average peer group		4,778	3.4x	3.1x	3.3x	20.1x	16.4x	13.1x	24.3x	20.3x	14.9x	29.3x	27.6x	18.2x
Median peer group		1,878	3.5x	3.7x	3.5x	19.9x	15.7x	13.2x	24.4x	20.6x	15.2x	33.4x	26.2x	18.3x
ELES S.p.A.	Milan	29	1.7x	1.8x	1.2x	9.2x	10.5x	6.1x	22.6x	20.1x	9.6x	34.0x	29.6x	13.2x

Source: FactSet, KT&Partners' elaborations

EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2019E	2020E	2021E
EV/EBITDA Comps	19.9x	15.7x	13.2x
ELES S.p.A. EBITDA	3.36	2.94	5.07
Enterprise value	66.8	46.3	67.0
Eles S.p.A. 1H20 NFP*	2.2	2.2	2.2
Equity Value		44.1	64.8
Average Equity Value			54.5
Liquidity/Size Discount			15%
Equity Value Post-Discount			46.3
Number of shares (thousand)			11.3
Value per Share €			4.11

Source: FactSet, KT&Partners' elaborations

Note: we adjusted 1H20 NFP by €0.2mn of capital increase following the warrant exercise

DCF Model

We have also conducted our valuation using a four-year DCF model, based on 9.7% cost of equity, 3% cost of debt and a target capital structure with 12.2% debt (Damodaran for semiconductor equipment sector). The cost of equity is a function of the risk-free rate of 0.8% (Italian 10y BTP), 5.81% equity risk premium (Damodaran for a mature market). We, therefore, obtained 8.9% WACC.

We discounted 2020-23E annual cash flows and considered a terminal growth rate of 2.0%; then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

DCF Valuation

€ thousand	2020E	2021E	2022E	2023E
EBIT	1,535	3,236	4,380	6,392
Taxes	(445)	(938)	(1,270)	(1,854)
D&A	1,410	1,833	2,183	2,463
Change in Net Working Capital	679	(992)	(426)	(1,176)
Change in Funds	282	358	407	484
Net Operating Cash Flow	3,461	3,496	5,274	6,309
Capex	(3,300)	(2,750)	(2,250)	(1,750)
FCFO	161	746	3,024	4,559
g	2.0%			
Wacc	8.9%			
FCFO (discounted)	158	674	2,510	3,476
Discounted Cumulated FCFO	6,818			
TV	67,752			
TV (discounted)	51,654			
Enterprise Value	58,471			
1H20 NFP*	2,158			
Equity Value	56,313			

Current number of shares (mn) 11.3

Value per share (€) 4.99

Source: FactSet, KT&Partners' elaborations

Note: we adjusted 1H20 NFP by €0.2mn of capital increase following warrant exercise.

DCF Sensitivity Analysis

€ thousand		WACC				
Terminal growth Rate		9.4%	9.1%	8.9%	8.6%	8.4%
	1.5%	48,792	50,618	52,570	54,659	56,902
	1.8%	50,356	52,297	54,376	56,607	59,007
	2.0%	52,027	54,094	56,313	58,701	61,278
	2.3%	53,814	56,022	58,397	60,960	63,734
	2.5%	55,733	58,095	60,645	63,404	66,400

Source: FactSet, KT&Partners' elaborations

Appendix

Peer Comparison

In order to define ELES' peer sample, we carried out an in-depth analysis of listed companies active in the ATE, Burn-In and System Level Test market. Given the increasing market requests for not only higher performance but also higher reliability, ATE market leaders (i.e. Advantest and Teradyne) have recently moved towards the Burn-In/System Level Test market through M&A activities.

For peer analysis, we built a sample of five companies which includes:

- **Advantest Corp.:** listed on the Tokyo stock exchange with a market capitalization of €9bn, Advantest Corp. is the leading producer of ATE for the semiconductor industry and a manufacturer of mechatronic products used in the design and production of electronic instruments and systems. In FY19, the company reached revenue of €2.3bn. It operates through the:
 - Semiconductor and Components Test Systems segment which offers test systems for semiconductor and electronic component industries (75% of FY19 total sales) with a particular focus on DRAM and more recently on SoC;
 - Mechatronic segment which provides the semiconductor devices handling mechatronic applied products such as testers, handlers, device interfaces and nanotechnology products (14% of FY19 total sales);
 - Others segment which is involved in the customer solution, support and equipment leasing services;
- **Aehr Test Systems:** listed on Nasdaq with a market capitalization of €26mn, Aehr Test Systems engages in the design, manufacture, and marketing of test and Burn-In products to the semiconductor manufacturing industry. Its products include wafer contact test systems (69.4% of FY18 total sales), test during Burn-In systems (30.6% of FY18 total sales), test fixtures and dye carriers. In FY18, the company reached revenues of €18mn;
- **Chroma ATE Inc.:** listed on the Taiwan stock exchange with a market capitalization of €1.9bn, Chroma ATE Inc. engages in the design and manufacture of precision electronic measuring instruments. Its products include a power electronics test, electric vehicle test, battery test and automation, passive component test, electrical safety test, video and color test, flat panel display test, lighting and driver test, optical devices test, photovoltaic and inverter test, automated optical inspection, semiconductor and integrated circuit test, manufacturing execution systems, turnkey test and automation solutions. In FY19, the company reached revenue of €0.4bn;
- **Cohu Inc.:** listed on Nasdaq with a market capitalization of €0.7bn, Cohu Inc. engages in the provision of back-end semiconductor equipment and services. It operates through the Semiconductor Test and Inspection (98% of FY18 total revenue), and Printed Circuit Board Test segments. In FY19, the company reached revenue of €0.5bn;

- **Teradyne Inc.:** listed on Nasdaq with a market capitalization of €12bn, Teradyne Inc. supplies automation equipment for test and industrial applications. In FY19, the company reached revenue of €2.1bn. It operates through the:
 - Semiconductor Test segment (67.6% of FY19 total revenue) which designs, manufactures, sells, and supports semiconductor test products and services, which are used both for wafer level and device package testing;
 - Systems Test segment (12.5% of FY19 total revenue) which comprises the defense and aerospace, storage test, and production board test business unit;
 - Wireless Test segment (6.9% of FY19 total revenue) which designs, develops, and supports advanced wireless test equipment for the manufacturing of wireless devices such as smartphones, tablets, notebooks, laptops, personal computer peripherals, and other Wi-Fi, Bluetooth, near-field communication and cellular enabled devices;
 - Industrial Automation segment (13.0% of FY19 total revenue) which supplies collaborative robots that work side by side with production workers.

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IN THIS STUDY DCF AND MULTIPLE VALUATION MODELS HAVE BEEN USED. RECOMMENDATIONS FOLLOW THE FOLLOWING RULES:

- ADD - FOR A FAIR VALUE > 15%
- HOLD - FOR A FAIR VALUE -15%
- REDUCE - FOR FAIR VALUE < -15%



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